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**TESTIMONY BEFORE THE HOUSE GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND THE CENSUS**

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**FEDERAL INFORMATION SYSTEMS INTEGRATION AND
CONSOLIDATION: MAXIMIZING TECHNOLOGY INVESTMENT
ACROSS AGENCY BOUNDARIES**

SYNOPSIS

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to share some of BearingPoint's views on the topic of federal information systems integration and consolidation.

BearingPoint, formerly known as KPMG Consulting, Inc., is one of the world's leading systems integration and management consulting firms. We employ over 15,000 people worldwide and fulfill the needs of over 2,100 clients. Over three years ago we separated completely from KPMG LLP, the tax and audit firm, and in February of 2001, we were the first of the Big Five to become a publicly held corporation. In 2002 we changed our name to BearingPoint. I lead BearingPoint's Public Services sector and am responsible for our federal, state and local, higher education and health care work.

Today I would like to comment briefly on the framework that has been created for the management of government IT programs, some E-Government trends that we are observing in the marketplace, and areas where we see opportunity for improvement.

Since the promulgation of the Administration's E-Government Strategy, significant progress has been made to establish an Information Technology (IT) management framework that will simplify government service delivery and unify redundant IT systems. The stated vision requires the transformation of existing delivery models within and among agencies to drive significantly higher performance and productivity. BearingPoint is supporting several cross-agency initiatives that challenge the status quo and redefine how fast government can work on behalf of the citizen.

Our observation of the market suggests that E-Government transformation is progressing along three paths:

- Far reaching initiatives, sponsored by the President's Management Council (PMC), to implement certain web-based functional application across the Federal Government,
- Web-based applications that have been provided effectively in one agency and are now being extended to several or all agencies, and
- Other successful web-based applications currently being implemented within one agency that may provide the impetus for the next generation of initiatives.

Whether the initiative is sponsored by the PMC or an outgrowth from a current initiative, it supports the strategic objective to leverage technology in order to improve government performance.

Still, we see opportunities for improvement. For instance, we believe there is an opportunity to improve the management framework by better linking the capital planning and acquisition processes to ensure that the procured solution fully supports agency performance goals articulated in their project business case.

There is also an opportunity to drive further consolidation along common lines of business, including Office of Management and Budget's (OMB) emerging new initiatives covering financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring.

Also, as we move ahead, agencies must adopt the new management framework and use it to drive a holistic view of government that puts the citizen at the center of the service delivery process. Congress can further facilitate a holistic view of government by taking a unified, cross-agency view in the funding and conceptualization of programs. Agencies can support this view by realizing that while technology has changed the art of the possible, change is disruptive and will be resisted. It is therefore vitally important to institutionalize the new processes and desired behavior. To do so, we will need to stick with the new direction, reinforce it, and consistently promote and reward managers that demonstrate leadership and accept accountability for results.

OMB HAS ESTABLISHED A STRONG VISION AND ENTERPRISE-WIDE MANAGEMENT FRAMEWORK FOR IT PROGRAMS

I would like to begin by reviewing the framework that has been created to manage IT programs.

OMB has established a comprehensive framework for the management of IT programs guided by the notion that redundancy in information technology capability among government agencies requires greater cross-agency collaboration and information sharing. The Federal Enterprise Architecture, combined with the new Circular A-11 Capital Planning and Investment Control guidance, provide a structured business and governance process for the selection and oversight of IT projects among agencies. It establishes Enterprise Architecture as the target for all IT modernization efforts and requires agencies to develop business cases that demonstrate that the solution they wish to pursue is in the overall best interest of the government. The Federal Enterprise Architecture defines the intended scope and purpose of IT modernization efforts, while Circular A-11 requires the submission of an Exhibit 300 business case in which a project demonstrates that it will achieve government-wide and agency objectives at the lowest risk adjusted cost. This new structure has set the tone for productivity improvement.

This new IT management framework reflects the imperatives established in the Clinger-Cohen Act of 1996, the Paperwork Reduction Act of 1995, the Privacy Act of 1974, the Government Paperwork Elimination Act of 1998, the Computer Security Act and the Government Information Security Reform Act.

As part of its Enterprise Architecture vision, OMB has sponsored a series of initiatives whereby agencies would share delivery processes and supporting systems. The original so-called "Quicksilver" initiatives demonstrated symbolically, and in practice, the Administration's commitment to shared service delivery models around common lines of business. But the Quicksilver initiatives were only the beginning. Already the Administration has advanced 6 new initiatives with the same "build once, use many" philosophy. This next round of initiatives will be equally important in terms of delivering service to the citizen more economically, efficiently, and effectively.

In essence, the Administration has taken a two-pronged attack. First, provide a management framework that provides incentives for cross-agency collaboration. Second, identify and drive specific cross-agency initiatives that appear promising. It is a push and pull approach that is beginning to deliver on its objective.

SEVERAL PROJECTS ARE BEING IMPLEMENTED CONSISTENT WITH THE NEW VISION

The benefits of this framework and the incentives it has created for cross-agency collaboration are now being played out in many successful government projects. More and more projects are supporting the shift of government services from traditional stovepipe, agency-centric processes to crosscutting processes and systems centered on customer needs. Whether it is modernizing IT investments within agencies, or ultimately integrating IT investments across agencies around lines of business and groups of customers, government services are being created as more citizen-centered, results oriented, and market-based.

Our observation of the market suggests that projects are supporting the transition from agency-specific to cross-agency shared service delivery along three paths: The first path includes the 24 cross-agency E-Government initiatives supported by the President. The second path includes those web-based applications that have succeeded in one agency and are being extended to other agencies as a result of that success. The third path encompasses best practice E-Government applications – those web-based applications that are being deployed successfully in other agencies and that may provide the impetus for the next generation of initiatives.

Quicksilver initiatives sponsored by the President's Management Council being implemented across the Federal Government.

The first path includes Quicksilver initiatives sponsored by the President's Management Council to integrate IT investments across government agencies around groups of customers or functional activities. 22 of the 24 Quicksilver E-Government initiatives have delivered significant capability and results since they were proposed by the President in the 2003 budget. These initiatives have covered four key areas: government to consumer, government to business, government-to-government, internal efficiency and effectiveness. An e-Authentication initiative has also been created to support these efforts.

In the area of government to consumer, FirstGov.gov, with more than 186 million pages of information, was recently redesigned to provide government service within “three clicks” and is now a key example of efficient citizen service delivery. GovBenefits.gov is another good example of government service to citizens, providing one-stop access to over 400 government programs. BusinessLaw.gov and Regulations.gov are useful government to business online guides that have been created for businesses to review and comment on legal and regulatory information. A homeland security initiative is now supporting the area of government to government, making it easier for federal, state and local authorities to communicate in cases of emergency. In the area of internal efficiency and effectiveness, GoLearn.gov is an example where numerous online federal training programs have been consolidated into a single portal to provide better service for federal workers. These programs and others are having and will

continue to have a tremendous impact on consumers and the quality and efficiency of government service.

***Initiatives that have Succeeded in one Agency and are being
Extended to Several or all Agencies.***

Beyond those initiatives that have been specifically anointed to provide service to multiple agencies, the second path includes those IT projects that succeeded in one agency and are being extended or emulated by other agencies. Success breeds success and agencies are quick to replicate applications that are successful. For instance, General Services Administration quickly recognized the value of Department of Defense (DOD) Central Contractor Registry system and ultimately used it as a modular component of its Integrated Acquisition Environment program. It is now called the Business Partner Network. As the government seeks to build a government wide enterprise software licensing program to enhance software management and purchasing, they appear poised to leverage DOD's Enterprise Software Initiative.

As agencies deliver their services using applications that cut across lines of business, Congress and OMB must encourage this type of modular construction. First, it encourages the re-use of systems that are tried, tested and true. Second, it cuts down on cost by leveraging work that the government has already paid for.

Still, government must be cautious. We must re-use solution component where it makes sense – anoint “best solutions” and replace those that are under performing.

***Initiatives that are Succeeding in one Agency and that May Provide
the Impetus for the Next Generation of Initiatives.***

The third path includes those initiatives that serve as best practices and that may provide the impetus for the next generation of initiatives.

The success of collaborative E-Government initiatives cannot be measured solely by the breadth of agencies that they serve. There are many interesting best solutions that might be extended throughout government to leverage their solution approach rather than their actual application. By doing so, agencies benefit from the lessons learned of their colleagues building similar systems.

For instance, the Department of Health and Human Services is adopting an innovative approach for the implementation of its core financial system. Instead of building several financial systems several times over, it is building a shared ERP system that allows the Food and Drug Administration, Centers for Disease Control (CDC), National Institute of Health and others to leverage a single best practice implementation. As other examples, the DOD and Veteran Affairs are working together to computerize patient medical records that will allow the two systems to exchange and share information by 2005; the Department of Education is streamlining its data collection processes to eliminate redundant reporting; and the Department of Energy is moving forward with I-MANAGE, an aggressive online management tool that will help to improve the quality of management within the Ministry.

Another example of technology solutions being used to close information gaps, and one that we are intimately familiar with, is the Pennsylvania Criminal Justice Network, commonly called JNET. The project was initiated in 1997 in response to Governor Ridge's priority for agencies to work together more seamlessly, to promote cost effective and information sharing, and to eliminate duplication of system development efforts. In response, JNET was established to improve public safety through the integration of criminal justice information throughout the Commonwealth of Pennsylvania. It provides a common on-line environment that allows authorized federal, state, county, and local officials to access offender records and other criminal justice information across participating agencies and to be notified immediately when individuals on their various watch lists 'show-up' in participating agency systems.

The JNET example is notable in that it has faced and overcome many of the challenges that exist at the federal level today, namely territorial issues about sharing information with other agencies, privacy concerns, and the need for strong executive sponsorship. The solution is being extended to other states and is being leveraged by the federal government. For example, it was used immediately after September 11th by the FBI to identify suspects from United Airlines Flight 93 that crashed in Western Pennsylvania. Using JNET, the FBI was able to identify a suspected terrorist by checking the flight passenger list against a driver's license photo. Another suspected terrorist was identified using arrest record information and was located in a correctional facility.

When we look across the Federal space, these types of approaches are consistent with OMB's IT management framework and appear to offer the potential for better performance and lower costs.

OPPORTUNITIES FOR IMPROVEMENT

Despite the success to date we see some areas for improvement. Specifically we believe there is an opportunity to improve the management framework by better linking the capital planning and acquisition processes, and there are also areas of E-Government reform where Congress can play a critical role. We also support efforts to drive further consolidation along common lines of business including the new initiatives emerging from OMB.

Completing the link between Capital Planning and Procurement

In terms of improving the IT management framework, we believe that the framework must align the business case with the acquisition strategy for procurements. The result in our view will be a more complete and effective management framework for Federal IT investments.

The success of IT capital programs is closely correlated to the quality of the procured solution since it is the solution that will deliver results against the Exhibit 300 business case submitted to OMB. Still, the acquisition strategy for most IT procurements is only loosely aligned with the associated Exhibit 300. In many cases, the companies submitting solution proposals have never seen the business case and do not fully understand the business challenge to be solved. As a result, the government is not optimally served because contractors cannot take responsibility for delivering the intended performance improvement.

Today, Circular A-11 guidance requires agencies to submit a performance based acquisition strategy as part of the Exhibit 300 submission for all capital investments above \$500,000. Still, the circular gives complete latitude to agencies in the development of their acquisition strategy and does not provide guidance which might ensure that IT solutions are more likely to deliver the intended performance improvement. Government must challenge contractors to meet the business case requirements.

The disconnection between the business case and the procured solution is caused by an acquisition process in which:

1. Source selection criteria do not necessarily support the business objectives defined in the business case.
2. Agency Investment Review Board officials that approved the business case are rarely involved in the procurement phase.
3. The government's E-300 business case is not shared with the vendor community.
4. Many Contracting Officers have an overly restrictive opinion of what constitutes procurement sensitive information.
5. Source selection officials are not provided the proper guidance by the IRB to determine which solution best supports the business case.

These issues have created gaps in the IT Management governance process between the established strategy and business plan and the solutions proposed to support them. In other words, acquisition strategy and procurement does not properly provide the bridge between the business case and the solution

The business case and its procured solution can be aligned by establishing common criteria for investment approval and the selection of implementation approaches. The fifty (50) point Exhibit 300 scoring criteria form the basis for this common scoring approach. Fundamentally, the 50 points used to score the Exhibit 300 reflect the IT management framework imperatives established through the Clinger-Cohen Act of 1996, the Paperwork Reduction Act of 1995, the Privacy Act of 1974, the Government Paperwork Elimination Act of 1998, the Computer Security Act and the Government Information Security Reform Act.

Usually, business cases are developed and submitted to their agency's IRB at a solution approach level. In other words, the government's business case narrows the approach to solving a business problem but stops short of defining the "implementation approach."

BearingPoint recommends the evaluation of solution and implementation approaches be based on the same criteria – those defined in Circular A-11 and submitted as part of the Exhibit 300. The government would develop and share its "solution level business case"¹ with the business community and ask them to bid an "implementation level business case"² that meets its strategic, management, cost and risk mitigation requirements.

¹ A "solution level business case" outlines what is being sought and why. It begins to narrow the range possible implementation approaches by producing a high level concept of operations.

² An "implementation level business case" elaborates the solution level concept of operations describing precisely how the solution will be implemented.

In the case of procurements where the government is outsourcing a process or function, this approach would ensure that the vendor takes ownership, responsibility and accountability for the business case that the government must deliver.

In the case of procurements where the government seeks solely a technology provider, this approach would allow the vendor to demonstrate its understanding of the government's need and how its implementation level solution will support the achievement of business case objectives.

Lastly, this approach completes the IT management governance framework by ensuring a proper alignment between the business case and proposed solutions thereby supporting government agency efforts to provide mission activities more effectively, efficiently and economically.

Examples Where Congress Could Support Collaboration

We also see many areas where Congress can play an important role. For example, as we move more towards supporting cross-agency services, we have to recognize that Congressional appropriation funding mechanisms are still organized vertically by agency, and this inhibits the process. We encourage Congress to take a unified, cross-agency view in the funding and conceptualization of programs. There are at least two ways this can be done. The first way is for Congress to support OMB as it exercises its discretion under the Clinger Cohen Act to consolidate appropriation funding for like services. The second way is for Congress, at the full appropriation committee level, to unify and consolidate the funding of like services.

On a more day-to-day basis, Congress will have a meaningful impact as it eliminates procedural barriers that inhibit cross-agency initiatives. The sale of federal assets is an example of such a procedural change where Congress can play a role. The Federal Asset Sales initiative, one of the President's 24 E-Government initiatives, is an ambitious effort to improve and optimize how government agencies dispose of unneeded assets. However, there are areas beyond the initiative's scope that require reform that could generate millions of dollars in additional revenue for the government.

A recent OMB study identified over \$307 billion in property, plant and equipment; \$209 billion in loans receivable; and \$184 billion in inventories and related property. A portion of these physical assets sit unwanted by agencies, and as these assets sit, agencies incur holding costs while the assets' condition often deteriorates. Financial assets also sit idle, inefficiently serviced by agencies who would rather hold onto an asset than sell it to a non-governmental institution that could more efficiently and cost effectively service the asset. Many agencies, through their own admission, hold onto their assets because they lack an incentive to dispose of them. First and foremost, the proceeds from the sale of assets are returned to the Treasury, not to the host agency, so there is no monetary incentive. Also, the costs of designating a piece of property as excess is sometimes more costly than holding onto it. Donation policies, often set at the agency level, are also not uniform and often work against the government in obtaining maximum return and utilization of an asset.

By contrast, agencies authorized to retain proceeds from their asset sales have displayed innovation and forward thinking in their asset sales strategy. Many have partnered with commercial service providers to sell unwanted assets online and offline, and in so doing, have realized substantial returns while lowering their costs of sales. For example, one agency has

seen increases in its sales proceeds from 2-3 cents on the dollar to twenty to 30 cents when it sells its assets in an efficient online marketplace to an established base of buyers. The agency is able to retain proceeds from its asset sales, thus motivating the agency to dispose of its unwanted assets quickly and efficiently.

Congress could pass a law to allow agencies to retain proceeds from asset sales. In our view, this would provide a missing incentive to move idle assets into the sales cycle more quickly, yielding lower overall costs for the government and higher sales returns. Getting assets to the market fast could also provide an impetus for a range of creative online marketplace solutions that could improve the efficiency and revenues gained from transactions.

Emerging Multi-Agency Initiatives

There are also a range of new initiatives beyond those already discussed that seek to support cross agency collaborative services, and drive further consolidation along common lines of business. The 6 new initiatives emerging from OMB covering financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring are excellent ideas and critical to the achievement of the long-term vision. We offer our opinion on two of these initiatives: financial management and public health monitoring.

By nature of the service provided, financial services appear well positioned for additional cross agency collaborative services. Today, most agencies have financial systems in place to support their own agency needs. The Committee is well aware of the challenge agencies have had with these financial systems. Last month's General Accounting Office report on financial management systems (GAO-03-903R) highlights some of these challenges, including the fact that the ages, types and number of systems used in agencies vary; many agencies are in the process of implementing new (and different) software systems; and many are at different phases of the implementation process. It is as a result of these types of challenges that the President has made improvement of agency financial systems a core part of his management agenda.

Already within the Department of Defense, the Defense Finance and Accounting Service provides a broad host of finance and accounting services across their Military Department and Defense agency customers, including military and civilian payroll, vendor and contract payment, and the delivery of timely and accurate financial information through accounting services. DFAS has organized itself along these three specific business lines in order to meet the needs of their customers. This approach has allowed DFAS to achieve significant efficiencies in terms of workforce reduction and operating costs, and ultimately reduce the cost of financial management to their customers. The Department of Agriculture's National Finance Center and the Department of Interior National Business Center and the U.S. General Services Administration provide similar shared services to civilian agencies.

The key moving forward is to expand the range of commercial, web-enabled products that these organizations can provide to agencies in support of their financial and accounting needs. Providing core financial applications on a shared-service basis may be a starting point. In doing so, we must keep in mind that E-Finance is an opportunity to manage more efficiently and effectively the broad range of financial management services needed in today's federal environment. While there are cross agency collaboration success stories in the federal arena with

agencies like DFAS, there are still more opportunities to reduce redundancy as well as consolidate information for the purposes of better decision-making within agencies, at OMB, and for Congress.

In the area of public health monitoring, we support Congress and the Administration's efforts to provide additional support to federal, state, and local health organizations in improving public health monitoring and preparedness. Further attention is necessary to provide essential infrastructure, network, information technology and related resources to government's public health agencies, including federal, state, local, and community-based health organizations. The provision of such support will enhance their capability to respond, manage, and improve critical national public health imperatives for disease surveillance, health promotion, and disease investigation, intervention, and protection.

BearingPoint has participated significantly in many of these new initiatives including a leading initiative with the CDC in support to the Office of Terrorism Preparedness and Response. The pursuit of this initiative is heavily collaborative, involving many Centers, Institutes, and Offices within CDC, and contractors, guided by CIO leadership.

THE NEXT STEP IS TO BEGIN INSTITUTIONALIZING THE CULTURAL SHIFT/VISION AND MANAGEMENT STRUCTURE

The Administration has set forth a bold vision for the reform of IT management, placing a strong imperative on delivering results. As we continue to move ahead, it is critical to recall that delivering these types of services, cutting across agency lines, is disruptive and requires a cultural shift in behavior and expectations. Success will therefore rely largely on our ability to institute an approach that rewards behavior consistent with this vision and drives a holistic view of government that puts the citizen at the center of the service delivery process. This requires sticking with the approach long enough to see it take hold; punishing behavior that seeks to circumvent its objectives; and rewarding managers that demonstrate leadership.

Information technology has changed the art of the possible and allowed new visions of government service delivery. Progress to date has helped make these visions a reality through an improved management structure, including the federal enterprise architecture framework, initiatives such as Quicksilver, and homegrown initiatives within agencies that are being implemented or considered as best practices across government. The challenge now is to keep pace with reform and alter existing processes and structures to support new and future requirements. As we have highlighted here, this will include reforming everything from IT planning and procurement processes to congressional appropriation procedures. It will also be critical to support future cross-cutting E-Government programs in areas of finance, public health monitoring and other areas. Congress' continued support in these and other areas will play a vital role in building a performance oriented government in support of the citizen.

Mr. Chairman, again, thank you for holding this important hearing today. I look forward to working closely with you and the rest of this subcommittee in any way you deem appropriate.